

STATE OF MICHIGAN

CONSUMER AND INDUSTRY SERVICES

CORPORATION, SECURITIES AND LAND DEVELOPMENT BUREAU

INTERPRETIVE ORDER CONCERNING CERTAIN BROKER-DEALERS, THEIR

AGENTS AND INVESTMENT ADVISERS WHO USE THE INTERNET FOR

DISTRIBUTION OF INFORMATION ON PRODUCTS AND SERVICES

WHEREAS, the Michigan Corporation, Securities and Land Development Bureau (the "Administrator") is charged with the administration of the Michigan Uniform Securities Act (the "Act"), and the Michigan Securities Rules promulgated under the Act; and

WHEREAS Section 412(a) of the Act provides, in part, that "the Administrator may from time to time make, amend, and rescind...orders as are necessary to carry out the provisions of this act....; and

WHEREAS Section 201(a) of the Act states that:"A person shall not transact business in this state as a broker-dealer or agent unless registered under this act"; and

WHEREAS Section 201(d)(1) of the Act adds that: "A person shall not transact business in this state as an investment adviser unless ... the person is registered under this act"; and

WHEREAS the Administrator acknowledges that the Internet, or the World Wide Web, or similar proprietary of common carrier electronic systems (collectively, the "Internet") have facilitated greatly the ability of broker-dealers, investment advisers and broker-dealer agents to advertise and otherwise disseminate information on products and services to prospective customers and clients; and

WHEREAS the Administrator also acknowledges that a communication made on the Internet through posting on a Bulletin Board, display on a "Home Page," transmission through E-mail or similar method (hereinafter, "Internet Communication") is directed generally to anyone who has access to the Internet; and

WHEREAS the Administrator further acknowledges that, in certain instances, the Internet distribution of information on available products and services by broker-dealers, investment advisers and broker-dealer agents could otherwise be construed as "transacting business" for purposes of Sections 201(a) and 201(d)(1) of the Act so as to require registration in this state, since the Internet Communication would be received in this state regardless of the disseminator's intent; and

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WHEREAS the Administrator finds that the issuance of this Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

THE ADMINISTRATOR THEREFORE ORDERS THAT:

1. Broker-dealers, investment advisers and broker-dealer agents (individually and collectively, "Securities Industry Personnel") who use the Internet to distribute information on available products and services shall not be deemed to be "transacting business" in this state for purposes of Sections 201(a) and 201(d)(1) of the Act if the following conditions are observed:
 - A. The Internet Communication contains a legend clearly stating that the Securities Industry Personnel in question may only transact business in those states where they are registered or otherwise excluded or exempted from state registration requirements;
 - B. The Internet Communication contains a mechanism which reasonably ensures that any subsequent interaction between prospective customers or clients residing in states where the Securities Industry Personnel are not registered is limited so as to not trigger state licensing requirements or securities registration requirements. Nothing in this paragraph shall be construed to relieve state registered Securities Industry Personnel from their obligation to observe applicable securities registration requirements in any state in which they transact business;
 - C. The Internet Communication does not involve the actual effecting of securities trades, or the rendering of personalized investment advice for compensation over the Internet, but is limited to the dissemination of information on products and services; and
 - D. In the case of a broker-dealer agent, (1) the agent's affiliation with the broker-dealer is prominently disclosed within the Internet Communication; (2) the broker-dealer with whom the agent is associated retains responsibility for reviewing and approving the content of the agent's Internet Communication; (3) the broker-dealer with whom the agent is associated authorizes the agent's Internet distribution of information on the particular products and services; and (4) in disseminating information on the Internet, the agents are acting within the scope of their authority with the broker-dealer;

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2. The position expressed in this Interpretive Order extends to registration requirements only, and does not excuse compliance with applicable antifraud or similar provisions; and
3. This Order shall remain in effect until amended or rescinded by the Administrator.

Signed by Julie Croll, Director
Corporation, Securities and Land Development Bureau
6546 Mercantile Way
P.O. Box 30222
Lansing, MI 48909

Dated: September 24, 1997
Lansing, Michigan